

Message Text

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ACTION EB-08

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FM AMEMBASSY VALLETTA
TO SECSTATE WASHDC 8277

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E.O. 11652: N/A

TAGS: EINV, EAIR, BBAK, MT

SUBJECT: PROPOSED AERO-MARITIME (AM) INVESTMENT IN MALTA.

REF: A) VALLETTA 1600, B) STATE 146154, C) EMBASSY MEMCON

- OF 06/21/78 WITH ALBERT MIZZI.

1. AERO-MARITIME (AM) VICE PRESIDENT KEHLER VISITED MALTA DURING WEEK OF JUNE 19 AND SUBMITTED FORMAL "APPLICATION FOR ASSISTANCE UNDER AIDES TO INDUSTRY SCHEME" TO THE MALTA DEVELOPMENT CORPORATION. IN MEETING WITH EMBOFFS, KEHLER STATED THAT MDC HAS GIVEN STRONG SUPPORT TO AM'S INVESTMENT PROPOSAL BUT SAID THAT HE WAS CONCERNED THAT AIR MALTA MISUNDERSTOOD AM'S INTEREST IN MALTA AND, INSTIGATED BY PILLAR ORGANIZATION (SUBSIDIARY OF RIO TINTO ZINC OF THE UK), MAY BE ATTEMPTING TO BLOCK GOM APPROVAL OF AM'S APPLICATION. KEHLER EXPLAINED THAT WHILE AM WAS SALES AGENT FOR DETROIT ALLISON HELICOPTER ENGINES FOR THE MIDDLE EAST AND AFRICA, PILLAR WAS ALLISON SALES AGENT FOR EUROPE. WHILE AM HAS NOT YET ESTABLISHED A REPAIR FACILITY FOR THESE ENGINES, PILLAR HAD REPAIR FACILITY AT PORTSMOUTH, UK, AND REPORTEDLY WAS CONCERNED THAT AN AM REPAIR FACILITY IN MALTA WOULD TAKE CONSIDERABLE BUSINESS AWAY FROM THE PORTSMOUTH FACILITY. FURTHER, ACCORDING TO KEHLER, PILLAR

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ORGANIZATION IS DISCUSSING JOINT VENTURE WITH AIR MALTA, PURPOSE OF WHICH WOULD BE TO REPAIR AIRCRAFT ENGINES IN MALTA. KEHLER STATED THAT PROPOSED PILLAR INVESTMENT WOULD NOT INVOLVE HELICOPTER REPAIR FACILITY AND HENCE NOT COMPETE DIRECTLY WITH AM IN MALTA.

2. KEHLER EXPECTS GOM DECISION ON AM INVESTMENT PROPOSAL BY

END OF JULY AND IS PLANNING TO RETURN TO MALTA ON JULY 11 TO PROVIDE FURTHER INFORMATION ON AND SUPPORT TO COMPANY'S APPLICATION. HE MENTIONED SPECIFICALLY HE WOULD BE SEEKING SUPPORT FROM ALLISON IN ATTEMPTING TO CONVINCE GOM OF AM'S TECHNICAL CAPABILITY AND RELIABILITY. KEHLER ALSO NOTED THAT HE WOULD BE MAKING OFFER OF AM ASSISTANCE TO GOM IN SURVEYING PROJECTED FUTURE AIR MALTA MAINTENANCE NEEDS, AND OTHER TECHNICAL ASSISTANCE AIR MALTA IS LIKELY TO REQUIRE, AS A MEANS OF MAKING MORE ATTRACTIVE AM'S INVESTMENT PROPOSAL. AM WILL ALSO EMPHASIZE THEIR AFFILIATE'S ASSISTANCE TO MOBILE HOMES (MALTA) LTD. (AM HAS BEEN RESPONSIBLE FOR AN INCREASE IN THAT COMPANY'S EXPORTS TO NORTH AFRICA OF FIVE MILLION MALTA POUNDS).

3. OUTLOOK FOR GOM APPROVAL OF AM INVESTMENT PROPOSAL IS UNCERTAIN. IN ADDITION TO WHAT APPEARS TO BE AIR MALTA OPPOSITION, PROPOSED AM INVESTMENT WOULD INITIALLY BE SMALL IN SCOPE -- AM PROJECTS TOTAL CAPITAL INFLOW OF ABOUT ONE HALF MILLION DOLLARS DURING FIRST THREE YEARS, AND EMPLOYMENT OF NO MORE THAN TWENTY MALTESE AT THE END OF THREE YEARS. LAINGEN

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